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SUPREME COURT OF THE UNITED STATES

OCTOBER TERM, 1928

No. 155

RICE & ADAMS CORPORATION, Petitioner

vs.

HARRY D. LATHROP

SUPPLEMENTAL BRIEF IN SUPPORT OF CERTIORARI.

This brief is supplemental to the one filed with the petition for certiorari herein. In that brief is set forth a reference to the opinions delivered in the Courts below, the grounds of jurisdiction in this Court, a brief statement of the case, specification of errors and summary of argument. In the interest of brevity the same are not repeated here.

ARGUMENT

On the 21st day of January, 1925, Harry D. Lathrop, Respondent, filed his Bill of Complaint in

the United States District Court for the Western District of New York against Rice & Adams Corporation, Petitioner, for infringement of Letters Patent No. 880,713 originally granted to James R. Blair on March 3, 1908. The patented device was a machine for washing milk cans, with an endless chain carrier upon which the inverted cans were carried to and over the washing jets and a drip pan at the feed end of the machine underneath for catching the drippings from the cans. (R. 392-4).

The patent had forty-one days to run. Two days after the suit was commenced, motion for a preliminary injunction was filed. On February 10, 1925, the District Judge handed down an opinion (not reported, R. 72) denying the motion, in which he said:

> "Infringement has ceased and the responsibility of the defendant is unquestioned and the recovery of damages, I think, is sufficient protection for past infringements."

Plaintiff did not appeal from the order denying a preliminary injunction, therefore plaintiff acquiesced in the said order.

The only equitable relief prayed for was injunction. When that was denied by the Court the only relief remaining was an accounting for profits and damages,—a purely legal remedy.

Section 267 of the Judicial Code provides that:

> "Suits in equity shall not be sustained in any Court of the United States in any case where a plain, adequate and complete remedy may be had at law."

And Rule 22 of the Equity Rules of Practice:

> "If at any time it appear that a suit commenced in equity should have been brought as an action on the law side of the Court it shall be forthwith transferred to the law side and be there proceeded with, with only such alteration in the pleadings as shall be essential."

The defendant therefore on March 3, 1925, before filing its answer, obtained an order to show cause why the action should not be transferred to the law side of the Court in compliance with Section 267 of the Judicial Code and Equity Rule 22 (R 75). Defendant urged that by the Court's denial of the plaintiff's application for a preliminary injunction, on the express grounds that infringement had ceased and the recovery of damages was sufficient protection for past infringement, a judicial determination had been made, to-wit; that the plaintiff was not entitled to equity relief when the action was commenced and, therefore, equity was without jurisdiction to proceed further in the case.

The defendant's motion was denied (R. 79, 81 and 6 F 2d 91). It was renewed at the opening of the trial and again denied. (R. 388-90). The case

was tried in equity and the patent was held valid and infringed. (R. 550-62; 21 F. 2d. 124).

On appeal to the Circuit Court of Appeals for the Second Circuit, the refusal of the District Court to transfer the cause to the law side of the Court was assigned as error. (R. 568). The point was urged in the appellant's brief and upon the argument of the appeal, but the Circuit Court of Appeals affirmed the decree of the trial court without opinion (R. 717-18) and a rehearing was thereafter denied. (R. 722). Certiorari was allowed by this court by an order filed October 8, 1928 (R. 722).

POINT I.

A CONFLICT OF OPINION EXISTS IN THE CIRCUIT COURTS OF APPEALS AND IN VARIOUS OTHER COURTS IN REGARD TO THE QUESTION OF EQUITY JURISDICTION WHICH IS INVOLVED IN THIS CASE.

The question here involved is whether equity may retain jurisdiction of a patent infringement suit brought when a patent is about to expire, for the purpose of taking an account of damages and profits where preliminary injunction has been denied, the bill alleges no other ground of equitable relief and contains no allegation that there is no adequate remedy at law.

The Courts have frequently called attention to a conflict of opinion in the various Circuits as to whether equity has jurisdiction in patent in-

fringement suits brought on the eve of patent expiration.

In the recent case of Leroy vs. DeVry Corp. 16 F. 2d 18, where a bill for infringement was filed one day before the patent sued upon had expired and no application for an injunction pendente lite was made, the Circuit Court of Appeals for the Second Circuit, Judge Hough writing the opinion, said, at page 20:

> "We avoid discussion of the question whether, after patent expiration, or upon the very eve of expiration, any injunction at all can issue, because it has been thought that there is a contradiction on this point between Root vs. Railway Co., 105 U. S. 189 and cases following it and Clark vs. Wooster, 119 U. S. 322 and some subsequent cases following that decision. See them collated by Holt, J. in Diamond, etc. Co. vs. Seus, (C. C.) 159 F. 497. It is enough for our present purposes that * * * no case justifies any injunction on such a record as this."

Judge Hough said, at page 19:

> "Against a general demurrer we held in Tompkins vs. International etc. Co. 183 F. 773 that there was jurisdiction in equity to entertain,—i. e. consider—a bill filed three days before expiration of patent. But it does not follow that because jurisdiction

exists an injunction should issue, much less that an injunction must issue."

Evidently Judge Hough had in mind jurisdiction to consider the bill and ascertain whether or not there was any ground of equitable jurisdiction. Finding that injunction was not justified in the DeVry case and that there was neither averment nor proof that plaintiff's remedy at law was inadequate, the Court ordered the case transferred to the law side.

The decisions in Root vs. Railway Co., and Clark vs. Wooster, where the conflict of opinion on this point is supposed to have originated, were briefly as follows:

In Root vs. Railway Co., suit for infringement of a patent was commenced five years after the patent had expired. On demurrer in the Court below the bill was dismissed. The Supreme Court on appeal said that no injunction was obtainable and no circumstances appeared which would render an action at law inadequate, and held that a bill in equity for a naked account of profits and damages could not be sustained.

The patent in Clark vs. Wooster had fifteen days to run when suit for infringement was commenced. Whether a preliminary injunction was applied for or not did not appear and it was held that inasmuch as there was time to apply for and obtain a preliminary injunction before the patent expired, jurisdiction had attached and the decree of the Court below for damages was affirmed.

The decision of the Supreme Court in Clark vs. Wooster, has been relied upon as an authority adverse to the petitioner's contention, but there are two important points of distinction between the facts in that case and those in the instant case. First, in Clark vs. Wooster, it did not appear whether application for an injunction was made or not. In the instant case injunction was applied for and denied immediately after suit was commenced. Second, in the Clark case the Court said, at page 326:

> "As the Court had jurisdiction at the inception of the suit, even though upon a narrow ground, yet, as the defendants did not ask the dismissal of the bill on the ground of want of jurisdiction, we should be very reluctant, if we had the power, now, on an appeal, after the case has been tried and determined, to reverse the decree."

The practice now would be not to dismiss the bill but to transfer the case to the law side of the Court under Equity Rule 22. In the instant case the defendant promptly moved for such a transfer and the motion was renewed and the point was urged at every opportunity thereafter. We submit therefore that the decision in Clark vs. Wooster is not, in fact and under the circumstances of that case, adverse to the petitioner.

In the case of Diamond Co. vs. Seus, 159 F. 497, (Circ. Ct. S. D. of N. Y.) a patent was sued on that

had only twelve days to run. The defendant demurred to the bill for want of jurisdiction, because filed so shortly before the patent expired and because there was an adequate remedy at law. No preliminary injunction was issued or applied for. The demurrer was sustained and the bill was dismissed. Holt J. said, at page 498:

> "It is well settled that the ground of jurisdiction in an equity suit for the infringement of a patent is the right to an injunction, that the remedy of an accounting for the recovery of profits or damages is incidental, and that a bill in equity will not lie after the expiration of a patent simply for an accounting and the recovery of damages or profits. It is held that the patentee, under such circumstances, has an adequate remedy at law. Root v. Railway Co. 105 U. S. 189, 26 L. Ed. 975. Upon the question whether the same rule applies to an equity suit brought just before the expiration of a patent, the cases seem to be somewhat in conflict. Some appear to hold that it is a question of discretion with the Court whether to take jurisdiction or not, and in various cases jurisdiction has been taken. Clark vs. Wooster, 119 U. S. 322, 7 Sup. Ct. 217, 30 L. Ed. 392; Beedle vs. Bennett, 122 U. S. 71, 7 Sup. Ct. 1090, 30 L. Ed. 1074; Busch vs. Jones, 184 U. S. 598, 22 Sup. Ct. 511, 46 L. Ed. 707. Other cases hold that, when it clearly appears that there are no special circumstances in the case calling

for the exercise of equitable jurisdiction, and the time which the patent has to run when the bill is filed is so brief that it is apparent that the prayer for an injunction is a mere form to support the jurisdiction, and that the real object of the action is an accounting to recover profits or damages, the Court has no jurisdiction. Root vs. Railway Co., 105 U. S. 189, 26 L. Ed. 975; Hayward vs. Andrews, 106 U. S. 672, 1 Sup. Ct. 544, 27 L. Ed. 271; Keyes vs. Eureka Con. Co., 158 U. S. 150, 15 Sup. Ct. 772, 39 L. Ed. 929.

There are various decisions in the Circuit Courts of Appeal and in the Circuit Courts, some of which support one view of the case and some the other."

The same conflict of decision is referred to by Judge Lacombe in Tompkins vs International Paper Co., 183 F. 773 (C. C. A. 2nd Circ.) to which attention was called in the DeVry case. There a bill for infringement filed three days before expiration of patent was demurred to as without equity, because filed so shortly before the patent expired. From a decree sustaining the demurrer and dismissing the bill, the plaintiff appealed. After citing Root vs Railway and Clark vs Wooster, the Court said, at page 774:

"Although there was not sufficient time to give four days' notice of motion for injunction, it was within the power of the

court upon the filing of the bill to issue an order to show cause returnable in some shorter time and grant an ad interim restraining order, which would have been in substance and effect an injunction. It seems immaterial to inquire whether or not complainant could have sustained an application for injunction or restraining order on the merits. If before the expiration of the patent he is actually in court with a bill upon which he could ask for an immediate injunction, and there was time enough to make such injunction operative, if it were granted, it is not easy to see why, under the decision in Clark vs Wooster, the court would not be entitled to take jurisdiction.

Nevertheless there are authorities the other way. Miller vs. Schwarner (C. C.) 130 Fed. 561; American Cable Co vs. Chicago (C.C.) 41 Fed. 522; Bragg vs. Hartford (C.C.) 56 Fed. 292; Davis vs. Smith (C.C.) 19 Fed. 823; Diamond Co. vs. Seus (C. C.) 159 Fed. 497. We prefer therefore, to rest our decision on the other proposition contended for by the appellant, viz.: That complainant has not a plain, adequate and complete remedy at law."

And the decree of the lower court sustaining the demurrer was reversed, because of special circumstances showing that there was no adequate remedy at law.

See also Tompkins vs St. Regis Paper Co., 236

F. 221, (C.C.A. 2nd Circ.) where the patent in suit had expired before the suit was commenced and the Court said, at page 223:

> "Where a suit is brought upon a patent which has expired, a Court of Equity ordinarily has no jurisdiction. An injunction does not issue in such cases and if the suit is one to compel an infringer to account for the profits realized during the period of infringement and to pay damages, there is ordinarily a complete remedy at law." Citing Root vs. Railway Co.

But it was found that there were special circumstances in that case, as in the case of Tompkins vs. International Paper Co. above cited, which gave the Court jurisdiction in equity.

In the following patent infringement cases the Courts have held that where the circumstances are such as to justify a Court in refusing equitable relief, equity will not entertain jurisdiction for the purpose of granting incidental relief;—

> Woodmanse vs. Williams 68 F. 489 (C.C.A. 6th Circ).
>
> Kennicott vs. Bain, 185 F. 520 (C. C. A, 7th Circ).

In Woodmanse vs. Williams, no prelimnary injunction was prayed for or allowed and when the final hearing was had, plaintiff's patent had expired. The Court held at page 492:

> "The ground upon which a Court of Equity will take cognizance of a suit for an infringement of a patent is the relief through an injunction. There is nothing so peculiar to a suit for damages and profits for infringement of a patent as will, independently of some recognized ground of equitable jurisdiction, justify a court of chancery in assuming jurisdiction. It must appear that the legal remedy at law is inadequate, and if the case is one in which equitable relief by injunction is inappropriate, as where the patent has expired or where the circumstances are such as to justify a court in refusing equitable relief, the suit will not be entertained for the mere purpose of an account of past damages and profits." Citing the Root vs. Railway and Clark vs. Wooster cases.

The decree of the Court below dismissing the suit was affirmed.

In Kennicott vs. Bain, the bill was to restrain infringement of Letters Patent and it does not appear whether a preliminary injunction was applied for or not. From a decree for the defendant, the complainant appealed. The Appellate Court said that when suit was commenced, infringement had ceased; that injunction was not an appropriate remedy in such cases; and whatever rights were left to the appellant must be asserted in a suit at law for damages since no ground existed for the bill in equity. The decree

of the Court below dismissing the bill was affirmed.

We have, however, been unable to find a patent infringement case in which the question of jurisdiction has arisen as in the instant case after a preliminary injunction was applied for and denied.

In the Woodmanse case the Court said, as quoted above, that there is nothing so peculiar to a suit for damages and profits for infringement of a patent, as will, independently of some recognized ground of equitable jurisdiction, justify a court of chancery in assuming jurisdiction.

In a number of suits in equity, other than patent infringement cases, it has been held that where injunction is denied and no other ground of equitable jurisdiction exists, Courts of Equity are without jurisdiction to proceed further.

> Van Raalt vs. Schneck, 159 F. 248, (E. D. of Wis.)
>
> American Falls Co. vs. Standard Co., 248 F. 487 (C. C. A. 8th Circ.)
>
> Tubular Co. vs. Mt. Vernon Co., 2 F. 2d 982. (E. D. of Ill.)

Van Raalt vs Schneck was a suit in equity for infringement of a trade symbol. When defendant's right to use the symbol was disputed by complainant, the defendant promptly renounced his claim to it and discontinued using it. Never-

theless suit was brought against him for injunction and an accounting. The Court refused the injunction, because it was unable to see why complainant did not have "everything that an injunction could confer." The complainant then urged that although denying the injunction, equity would retain jurisdiction for the purpose of an accounting, but the Court held that this contention had been set at rest in Root vs. Railway Co. where the Supreme Court said:

> "Our conclusion is that a bill in equity for a naked accounting of profits and damages against an infringer of a patent cannot be sustained."

The Court further held that if complainant suffered damage there was a complete and adequate remedy at law. The bill was thereupon dismissed without prejudice to the complainant to institute a suit at law for damages, if so advised.

In American Falls Co. vs. Standard Co. plaintiff a brokerage company, sued defendant, a milling concern, claiming that the plaintiff had a contract for the exclusive sale of defendant's products, which defendant had violated by selling directly to plaintiff's customers, and prayed for injunction and damages. Injunction was denied and damages were awarded. Upon appeal, the decree of the lower court was affirmed as to the denial of the injunction but otherwise reversed with directions to transfer the trial of the issues relating to damages to the law side of the court, in ac-

cordance with Equity Rule 22 and Section 267 of the Judicial Code.

Tubular Heating Co. vs. Mt. Vernon Co., like the Van Raalt case was a suit to restrain use of a trade mark and for an accounting for damages. A temporary injunction was granted and plaintiff obtained a citation for defendants to show cause why they should not be held in contempt for violation of the injunction. Upon a showing by the defendants that use of the trade mark had been abandoned by them so that when the bill was filed there was no infringement or threat of infringement, the Court dissolved the injunction and dismissed the bill for want of equity.

We have then, in addition to Root vs. Railway Co. and the other Supreme Court cases cited by Judge Holt in Diamond Co. vs. Seus, a number of Circuit Court of Appeals decisions holding or sustaining the view that where a patent has expired before suit is commenced, or where the circumstances are such as to justify a Court in refusing to grant an injunction, or where injunction is denied, and there are no other grounds of equitable relief, equity is without jurisdiction to proceed further.

Tompkins vs. St. Regis, 236 F. 221 (C.C. A. 2nd Circ).

Tompkins vs. Int. Paper Co. 183 F. 773 (C. C. A. 2nd Circ.).

Leroy vs. DeVry Corp. 16 F. 2d 18 (C. C. A. 2nd Circ).

American Falls Co. vs. Standard Co. 248 F. 487, (C.C.A. 8th Circ.).

Woodmanse vs. Williams, 68 F. 489 (C.C. A. 6th Circ.)

Kennicott vs. Bain, 185 F. 520 (C.C.A. 7th Circ.)

On the other hand we have Circuit Court of Appeals decisions holding that where a bill is filed in time to obtain preliminary injunction, even though none is applied for, equity may proceed to grant incidental relief and the question is not one of jurisdiction but of discretion in the exercise of jurisdiction.

Sly vs. Central, 201 F. 683 (C.C.A. 7th Circ.)

Standard Co. vs. Magrane, 259 F. 793 (C. C.A. 1st Circ)

In this latter class of decisions no exception is made of those cases in which, as in the DeVry and Woodmanse cases and the instant case, the circumstances are such that injunction or other equitable relief would be inappropriate.

In the case at bar, the trial court quoted from the Sly case as follows:

"If, however, facts existed when suit was commenced which might, in any view,

> sustain an injunction, the question is not then one of jurisdiction but one of discretion in the exercise of jurisdiction." (R. 80 and 6 F. 2d 91).

In the Sly case, however, two patents were involved, one of which was about to expire while the other had several years to run; from which it is evident that the Court had a better reason for retaining equity jurisdiction than the one referred to in the foregoing quotation.

In Standard Co. vs. Magrane, the Circuit Court of Appeals for the First Circuit, upheld the contention of the plaintiff therein, in the following words, at page 795:

> "But the plaintiff insists that the fact that relief by injunction has now become inappropriate by reason of lapse of time, does not warrant the Court in refusing to retain jurisdiction in equity for the purpose of granting any appropriate relief though it be only for the assessment of damages."

The Court, however, added:

> "Assuming for the moment that the contract and all the stipulations therof are valid, the great weight of authority is in favor of the plaintiff's proposition that it was entitled to an injunction against the breach of the negative covenant."

In view of the circumstances in the Sly and Magrane cases, indicating the existence of a right to injunctive relief therein, it may be conceded that in those cases there was a basis for retaining jurisdiction in equity; but we have not been able to find a decision in any case, except the one at bar, holding that where a Court has denied relief by injunction and declared that the plaintiff was not entitled to such relief, and where no other equitable relief is sought, nevertheless the court may proceed in equity and grant other incidental relief.

By its affirmance of the District Court's opinion in the instant case, the Circuit Court of Appeals for the Second Circuit has established a rule which is at variance with its former decisions in Leroy vs. DeVry, 16 F. 2d 18; Tompkins vs. Int. Paper Co., 183 F. 773 and Tompkins vs. St. Regis Paper Co., 236 F. 221, and with those of the Circuit Courts of Appeals for the Eighth Circuit in American Falls vs. Standard Co., 248 F. 487, for the Sixth Circuit in Woodmanse vs. Williams, 68 F. 489, and for the Seventh Circuit in Kennicott vs. Bain, 185 F. 520.

CONCLUSION

It is respectfully submitted, therefore, that the confusion as to when Courts may or may not proceed in equity in patent infringement cases, which has heretofore existed and to which the Courts have so frequently referred, has been increased and intensified by the decision of the Dis-

trict Court, as affirmed by the Circuit Court of Appeals in the instant case. The great weight of authority sustains the view that when a bill is filed it must at least appear that the plaintiff is entitled to an injunction or some other form of equitable relief; and when it has been judicially determined that the plaintiff is not entitled to an injunction and no other equitable relief is prayed for in the bill, and particularly where, as in the instant case, there is no allegation in the bill to the effect that legal relief is inadequate, it is the duty of the trial court upon motion to transfer the case to the law side of the court.

FRED'K. G. MITCHELL
CHARLES J. STAPLES
WILLIAM P. CONLEY
WILLIAM DORAN CUSHMAN
Counsel for Petitioner.